

Message Text

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C O N F I D E N T I A L LONDON 00478

E.O. 11652: GDS
TAGS: UK MPOL
SUBJECT: PROPOSED INCREASE IN UK DEFENSE BUDGET

REF: 77 LONDON 19759 (NOTAL)

1. THE QUALITY PRESS TODAY IS SPECULATING THAT WHEN THE PUBLIC EXPENDITURE WHITE PAPER GOES BEFORE PARLIAMENT ON 12 JAN, THE WHITE PAPER WILL DISCLOSE THE GOVERNMENT'S INTENT TO INCREASE DEFENSE SPENDING BY 3 PERCENT IN REAL TERMS ANNUALLY OVER THE NEXT FIVE YEARS STARTING WITH 1979/80. WHILE THE PRESS REPORTING GIVES NO DETAILS AS TO ALLOCATION OF THE PROPOSED INCREASE, THE PAPERS DO HIGHLIGHT THE SIGNIFICANCE OF THIS FIRST, ALBEIT MODEST, INCREASE IN DEFENSE SPENDING IN OVER A DECADE. A MAJOR CALL ON THE ADDITIONAL RESOURCES TO BE MADE AVAILABLE TO DEFENSE WILL BE
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INCREASED PAY FOR THE ARMED FORCES.

2. THE DETAILS OF ALLOCATION WILL EMERGE ABOUT MID-FEBRUARY WHEN THE DEFENSE WHITE PAPER IS PLANNED TO BE READY FOR PUBLICATION. THE PRESS REPORTING CLEARLY LINKS THE GOVERNMENT'S DECISION THAT DEFENSE SHOULD SHARE IN THE EXPANSION OF PUBLIC SPENDING TO THE

PRESIDENTIAL INITIATIVES LAUNCHED AT THE MAY NATO SUMMIT AND TO THE SUBSEQUENT PRESSURE FROM NATO THROUGH SYG LUNS.

3. COMMENT: MOD OFFICIALS CONTINUE TO BE VERY GUARDED ABOUT DISCLOSING ANY SPECIFICS OF HOW AND WHERE THE INCREASE WILL BE SPENT. MULLEY DOES NOT RETURN FROM HIS MIDDLE EAST TRIP UNTIL LATE THIS AFTERNOON AND HIS OFFICE TOLD POL-MIL ATTACHE THAT NO INSIGHTS WILL BE AVAILABLE UNTIL AFTER PUBLICATION OF THE PUBLIC EXPENDITURE WHITE PAPER AND AT THE EARLIEST NEARER TO PUBLICATION OF THE DEFENSE WHITE PAPER.

4. OFFICIALS DISCLOSED, HOWEVER, THAT MULLEY HAD HAD TO FIGHT "LIKE HELL" TO QET CABINET APPROVAL FOR THE 3 PERCENT INCREASE, PARTICULARLY SINCE THE INCREASE FLIES IN THE FACE OF LEFT-WING ANTICIPATION THAT THE RECENT CUTS IN DEFENSE SPENDING WOULD NOT BE RESTORED AT ALL. FOR PARTY POLITICAL CONSIDERATIONS THE GOVERNMENT WILL MAKE THE POINT THAT THE 3 PERCENT INCREASE WILL NOT RESTORE THE DEFENSE BUDGET TO EARLIER LEVELS. NONETHELESS A CRY OF OUTRAGE IS ANTICIPATED FROM THE LEFT. THIS, HOWEVER, WILL NOT WORRY THE GOVERNMENT UNDULY SINCE THE SENSE OF UNEASE ABOUT CUTTING BRITAIN'S DEFENSE "TOO DEEPLY INTO THE BONE AND MUSCLE" HAS SPREAD FROM THE TORY BENCHES TO MANY SITTING ON THE CONFIDENTIAL

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GOVERNMENT BENCHES.

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